



TOWN OF
HALTON HILLS
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REPORT

TO: Chair and Members of Budget Committee

FROM: Kathryn Brott, Senior Financial Analyst – Cash Planning

DATE: December 4, 2023

REPORT NO.: CS-2023-038

SUBJECT: Ontario Regulation 284/09, 2024 Budget

RECOMMENDATION:

THAT Report No. CS-2023-038 dated December 4, 2023 regarding Ontario Regulation 284/09, 2024 Budget be received;

AND FURTHER THAT Budget Committee approves this report, which meets the requirements of Regulation 284/09 and outlines the 2024 Operating and Capital Budgets in a format that is compliant with the Public Sector Accounting Board (PSAB);

AND FURTHER THAT should any budget changes be approved by Budget Committee, the PSAB compliant 284/09 report will be amended to include those changes, to ensure consistency with the approved budget.

KEY POINTS:

The following are key points for consideration with respect to this report:

- Differences between cash based accounting and PSAB compliant accounting of the 2024 budget are detailed in Tables 1 and 2 of this report. This report fulfills the requirements of Ontario Regulation 284/09. Finance staff will monitor actual results throughout the 2024 financial year.

BACKGROUND AND DISCUSSION:

In 2009, accounting standards and financial reporting requirements changed significantly, with the most notable change being the reporting requirements on Tangible

Capital Assets (TCA). However, these new accounting standards do not require budgets to be prepared on the same basis.

The Town of Halton Hills, like many municipalities, continues to prepare budgets on a traditional cash basis. These budgets do not include the Public Sector Accounting Board (PSAB) requirements of accrual accounting and accounting for non-financial assets such as Tangible Capital Assets.

Ontario Regulation 284/09 requires municipalities that have excluded expenses in their budgets to prepare a report detailing those excluded expenses and adopt the report by resolution prior to adopting a budget for the year. Allowable excluded expenses as per Ontario Regulation 284/09 can be all or a portion of the following:

- a) Amortization expenses
- b) Post-employment benefit expenses
- c) Solid waste landfill closure and post-closure expenses

The Town excludes expenses related to amortization as they are non-cash expenses. Post-employment benefit expenses are included in the budget therefore no adjustment is required. The post-closure solid waste landfill expenses are included in the waste management levy from the Region as they monitor the former landfill site, which was closed in 1973.

The Regulation requires the report to contain at a minimum:

- a) An estimate of the change in accumulated surplus (revenues less expenditures) of the municipality to the end of the year resulting from the exclusion of expenses
- b) An analysis of the estimated impact of the exclusion of expenses on future tangible capital asset funding requirements

In addition to these excluded expenses, the cash-based budgets prepared by the Town include certain types of transactions that need to be excluded for PSAB reporting purposes. These are not covered in Ontario Regulation 284/09; however, for purposes of transparency and consistency, the accumulated surplus contained in this report will be included as budget figures in the 2024 published financial statements, as approved by Council. As such, the following items that are included in the cash-based budget will be excluded from the PSAB-based budget:

- a) Debenture principal repayment expenditures net of recoveries
- b) Transfers to reserve funds
- c) Contribution from reserve funds
- d) Tangible Capital Asset costs
- e) Cash inflows from debenture issuances reported as revenue in cash-based budgets

Table 1 outlines the differences between the balanced 2024 budget of \$0, prepared under the cash basis of accounting to an annual surplus of \$10,454,858 under the PSAB compliant methodology.

| | |
|---------------------------------------------------------|------------------------|
| Table 1 | |
| <u>2024 Proposed Budget - Cash Based</u> | |
| Proposed 2024 Operating Budget Tax Levy | \$ 69,736,745 |
| Proposed 2024 Operating Budget Other Revenues | 25,011,097 |
| Proposed 2024 Operating Budget Expenditures | (94,747,842) |
| Surplus/(Deficit) | <u>\$ -</u> |
| Proposed 2024 Capital Budget Funded | \$ 26,642,000 |
| Proposed 2024 Capital Budget Expenditures | (26,642,000) |
| Surplus/(Deficit) | <u>\$ -</u> |
| Acton & Georgetown BIA Budget Revenues | \$ 464,837 |
| Acton & Georgetown BIA Budget Expenditures | (464,837) |
| Surplus/(Deficit) | <u>\$ -</u> |
| Add Revenues Excluded from Cash Based Budget | |
| Donated Tangible Capital Assets | \$ 4,500,000 |
| Equity Income on Investments | 323,161 |
| Exclusion Impact on Accumulated Surplus/(Deficit) | <u>\$ 4,823,161</u> |
| Add Expenditures Excluded from Cash Based Budget | |
| Amortization Expense | (17,843,000) |
| Exclusion Impact on Accumulated Surplus/(Deficit) | <u>\$ (17,843,000)</u> |
| Remove Non PSAB Items from Cash Based Budget | |
| Debenture Principal Repayments (Net of Recoveries) | 2,427,500 |
| Transfers to Reserves | 13,785,297 |
| Contribution from Reserves (Capital Budget) | (15,445,000) |
| Contribution from Reserves (Operating Budget) | (1,305,100) |
| Fixed Asset/TCA Expenditures | 24,012,000 |
| Total Impact on 2024 Accumulated Surplus/(Deficit) | <u>\$ 10,454,858</u> |

Amortization of \$17,843,000 listed in Table 1 above has a major impact on the 2024 accumulated surplus amount. The amortization expense reduces the surplus amount and reduces the net book value of the Tangible Capital Assets reported on the annual audited statement of financial position.

Fixed asset purchases of \$24,012,000 documented in Table 1 are higher than amortization in 2024.

Budgeted amortization amounts are based on a projection of existing assets and the associated annual amortization charge. It does not include a projection for assets not yet in service or new assets that have not, as yet, been recorded in the fixed assets sub-ledger.

Table 2 shows the proposed budget in PSAB format. This layout will be used in the preparation of the annual published financial statements and will be adjusted to incorporate any budget night changes approved by Council.

| Table 2 | | <u>2024 PSAB Format Budget</u> |
|-------------------------------------|-----------|---------------------------------------|
| Revenues | | |
| Taxation (Including Supps & PILs) | \$ | 72,200,200 |
| User Fees & Charges | | 7,887,727 |
| Government Transfers | | |
| Federal | | 3,588,000 |
| Provincial | | 3,288,332 |
| Other Municipalities | | 1,348,778 |
| Investment Income | | 1,156,000 |
| Development Charges | | 4,623,300 |
| Donated Tangible Capital Assets | | 4,500,000 |
| Donations | | - |
| Promissory Note Interest from HHCEC | | 210,900 |
| Dividend Income from HHCEC | | 1,692,000 |
| Equity Income from HHCEC | | 323,161 |
| Other | | 6,123,442 |
| | | <u>106,941,840</u> |
| Expenses | | |
| General Government | | 16,655,200 |
| Protection Services | | 17,077,500 |
| Transportation Services | | 27,468,281 |
| Environmental Services | | 3,023,300 |
| Health Services | | 516,896 |
| Social & Family Services | | 1,563,200 |
| Recreation & Cultural Services | | 25,624,395 |
| Planning & Development | | 4,558,210 |
| | | <u>96,486,982</u> |
| Annual Surplus/(Deficit) | \$ | <u>10,454,858</u> |

STRATEGIC PLAN ALIGNMENT:

This report aligns to the Town's Strategic plan recognizing the value to provide responsive, effective municipal government and strong leadership in the effective and efficient delivery of municipal services.

This report also identifies fiscal and corporate management as one of the Town's Strategic priorities.

RELATIONSHIP TO CLIMATE CHANGE:

This report is administrative in nature and does not directly impact or address climate change and the Town's Net Zero target.

PUBLIC ENGAGEMENT:

Public Engagement was not needed as this report is administrative in nature.

INTERNAL CONSULTATION:

Consultations were held with other municipalities on the format of this report.

FINANCIAL IMPLICATIONS:

This report is administrative in nature and does not have any financial implications.

The intent of this report is to describe the conversion of the cash-based proposed budget to a Public Sector Accounting Board budget format and compliance thereof.

Reviewed and approved by,

Joseph Vandermeer, Deputy Treasurer & Senior Manager of Accounting and Taxation

Moya Jane Leighton, Director of Finance & Town Treasurer

Laura Lancaster, Commissioner of Corporate Services

Chris Mills, Chief Administrative Officer